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## Disclosure checklists : a financial reporting practice aid, November 1983

American Institute of Certified Public Accountants. Technical Information Division

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Fall 1983 Edition

# Disclosure Checklists

A FINANCIAL REPORTING PRACTICE AID

Extracted from the  
AICPA Audit and Accounting Manual  
Nonauthoritative Technical Practice Aids  
(As of November 1983)



# **Disclosure Checklists**

## **A FINANCIAL REPORTING PRACTICE AID**

Extracted from the  
AICPA Audit and Accounting Manual  
Nonauthoritative Technical Practice Aids  
(As of November 1983)

The AICPA Audit and Accounting Manual has not been approved, disapproved, or otherwise acted upon by any senior technical committees of the American Institute of Certified Public Accountants or the Financial Accounting Standards Board and has no official or authoritative status.

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## AAM Section 8000

DISCLOSURE CHECKLISTS

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The checklists included in this section have been developed by the staff of the Technical Information Division of the AICPA as non-authoritative technical practice aids. At the request of certain AICPA members, these checklists are also being made available for purchase by AICPA members subject to their recognition of the following:

- o The checklists are "tools" and in no way represent official positions or pronouncements of the AICPA.
- o The checklists have been updated through SAS No. 44, SSARS No. 5, FASB Statement of Financial Accounting Standards No. 74, and FASB Interpretation No. 37. The checklists should be modified, as appropriate, for subsequent pronouncements. In determining the applicability of a pronouncement, its effective date should also be considered.
- o The checklists should be used by or under the supervision of persons having adequate technical training and proficiency in the application of generally accepted accounting principles, generally accepted auditing standards, and statements on standards for accounting and review services.
- o The checklists do not represent minimum requirements and do not purport to be all inclusive. The checklists were developed for use in respect of the financial statements of general "for profit" companies and probably will require extensive modification if applied to the financial statements of "not-for-profit" organizations and companies in specialized industries. Section 8500 includes a list of FASB Statements and Interpretations related to specialized industries which are not included in this checklist.

Users of these checklists are urged to refer directly to applicable authoritative pronouncements when appropriate.

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## AAM Section 8100

## Disclosure Checklists—General

.01 Many auditors and accountants find it helpful to use checklists as practice aids in the preparation of financial statements and reports. Some firms have developed their own checklists for internal use, and may also have specialized checklists to meet the needs of their practices, such as checklists for clients in particular industries or clients that report to the SEC. Some state CPA societies have developed checklists as practice aids which may be available to other practitioners as well as to their own members. Some commercial publishers also include checklists in certain of their publications. However, authoritative literature does not require the use of such checklists, nor does it prescribe their format or content, which vary.

.02 Checklists typically consist of a number of brief questions or statements that are accompanied by references to Statements on Auditing Standards, Statements on Standards for Accounting and Review Services, Statements of Financial Accounting Standards, Accounting Principles Board Opinions, and Accounting Research Bulletins. Some checklists also include references to FASB Interpretations and to selected SEC disclosure requirements. The extent of detail included in checklists varies with the judgment of the preparers on how extensively to refer to and highlight authoritative literature without developing a checklist that is too long and unwieldy. Accordingly, checklists may serve as convenient memory aids but cannot be used as a substitute for direct reference to the authoritative literature.

.03 Checklists usually provide for checking off or initialing each question or point to show that it has been considered. The format used in these sections is a typical one; it provides for "yes," "no," and "not applicable" answers and presumes that remarks would be prepared on separate cross-referenced memorandums. Some preparers, however, prefer to include space for remarks in the body of the checklist while others prefer alternative checklist formats. For example, a checklist format may provide for the following set of answers: "not applicable," "not material," "in statements" and "in note" (with provisions for indicating a cross reference to the specific statement caption or note). Another format may provide for only two answers, "disclosed" and "not applicable." Firms and practitioners who develop their own checklists should adopt formats that suit their needs and preferences.

.04 Disclosure checklists are generally accompanied by caveats that include all of the following points:

- o Use of the checklists requires the exercise of individual professional judgment and may likely require some modification based on the circumstances of individual engagements.
- o The checklists are not all inclusive and are not intended to present minimum requirements.
- o Users need to modify the checklists for any pronouncements issued subsequent to those mentioned in the checklist.

If widespread circulation is expected, the preparers also generally stress the nonauthoritative or unofficial status of the checklists and disclaim responsibility for the way they may be used.

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—The next page is 8201.—



## AAM Section 8200

## Auditors' Reports Checklist

.01 This checklist has been developed by the staff of the technical information division of the AICPA as a nonauthoritative practice aid. Accordingly, the notice on page 8001 is incorporated herein by reference.

## .02 Explanation of references:

- SAS = Statement on Auditing Standards  
 (AU) = Reference to section number in  
AICPA Professional Standards  
 (vol. 1) of SAS cited.  
 SSARS = Statement on Standards for Ac-  
 counting and Review Services  
 (AR) = Reference to section number in  
AICPA Professional Standards  
 (vol. 2) of SSARS cited.

## .03 Checklist Questionnaire

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	<u>Yes</u>	<u>No</u>	<u>N/A</u>
1. Does the auditor's report include appropriate:			
a. Addressee? [SAS 2, par. 8 (AU 509.08)]	—	—	—
b. Date (or dual dates) of the report? [SAS 1. sec. 530 (AU 530); SAS 15, par. 2 (AU 505.02); SAS 26, pars. 15-17 (AU 504.15-.17)]	—	—	—
2. If the auditor is not independent, has the appropriate disclaimer been expressed regardless of the extent of services provided? [SAS 1, sec. 220 (AU 220)]	—	—	—
a. For a public entity? [SAS 26, pars. 8-10 (AU 504.08-.10)]	—	—	—
b. For a nonpublic entity? [SSARS No. 1, pars. 22 & 38 (AR 100.22 and 100.38)]	—	—	—
3. Does the reporting language conform with the auditor's standard report on:			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. Financial statements of a single year or period? [SAS 2, par. 7 (AU 509.07)]	—	—	—
b. Comparative financial statements? [SAS 15, par. 3 (AU 505.03)]	—	—	—
4. Does the report include appropriate language in respect of the following:			
a. Report on only one basic financial statement and there are no scope limitations? [SAS 2, par. 13 (AU 509.13)]	—	—	—
b. Report on comparative statements of income, retained earnings and changes in financial position without presentation of the comparative balance sheets for the prior year ends? [SAS 15, par. 3 (AU 505.03)]	—	—	—
c. Part of examination made by other independent auditors? [SAS 1, sec. 543 (AU 543); SAS 2, par. 14 (AU 509.14)]	—	—	—
d. Departure from a promulgated accounting principle when conformity would result in a misleading presentation? [SAS 2, pars. 18-19 (AU 509.18-.19)]	—	—	—
e. Report of a predecessor auditor? [SAS 7 (AU 315); SAS 15, pars. 8-12 (AU 505.08-.12)]	—	—	—
f. Updating of a previously issued opinion? [SAS 15, pars. 2 & 6-7 (AU 505.02 & 505.06-.07)]	—	—	—
g. Comparative financial statements with differing opinions? [SAS 15, par. 5 (AU 505.05)]	—	—	—
h. Audited and unaudited financial statements in comparative form? [SAS 26, pars. 14-17 (AU 504.14-.17)]	—	—	—

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
i. Decision to emphasize a matter? [SAS 2, pars. 9 & 27 (AU 509.09 & 509.27)]	—	—	—
5. Has a qualified opinion or disclaimer of opinion been expressed if:			
a. Scope limitations precluded application of one or more auditing procedures considered necessary in the circumstances? [SAS 2, pars. 10-13 (AU 509.10-.13); SAS 31, par. 22 (AU 326.22)]	—	—	—
b. The financial statements are affected by material uncertainties concerning future events, the outcome of which is not susceptible of reasonable estimation at the report date? [SAS 2, pars. 21-26, (AU 509.21-.26); SAS 34, pars. 11-13 (AU 340.11-.13); SAS 2, par. 39 as amended by SAS 43, par. 6 (AU 509.39)]	—	—	—
6. Has a qualified opinion or adverse opinion been expressed if the following circumstances are present:			
a. Lack of conformity with generally accepted accounting principles (including inadequate disclosure)? [SAS 2, pars. 15-19 (AU 509.15-.19); SAS 17, par. 15 (AU 328.15); SAS 32, par. 3 (AU 431.03); SAS 34, par. 11 (AU 340.11)]	—	—	—
b. Departure from consistent application of accounting principles? [SAS 1, sec. 546 (AU 546)]	—	—	—
7. If a qualified opinion, adverse opinion, or disclaimer of opinion is expressed:			
a. Are all the substantive reasons for the opinion or disclaimer disclosed? [SAS 2, pars. 32, 42 & 45 (AU 509.32, 509.42 & 509.45)]	—	—	—
b. Is the reporting language clear and appropriate for the—			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(1) Qualified opinion? [SAS 2, pars. 29-40 as amended by SAS 43, par. 6 (AU 509.29-.40)]	—	—	—
(2) Adverse opinion? [SAS 2, pars. 41-44 (AU 509.41-.44)]	—	—	—
(3) Disclaimer of opinion? [SAS 2, pars. 45-47 (AU 509.45-.47)]	—	—	—
8. Does the report include modification, if applicable, for the following:			
a. Conditions that precluded application of necessary auditing procedures to opening inventories and/or long term investments? [SAS 1, sec. 542.05-.06 (AU 542.05-.06)]	—	—	—
b. Regulated companies? [SAS 1, sec. 544.02-.04 (AU 544.02-.04); SAS 14, pars. 2-8 (AU 621.02-.08)]	—	—	—
c. Inadequate disclosure? [SAS 1, sec. 545 (AU 545)]	—	—	—
d. First examination—inadequate financial records or client-imposed limitations? [SAS 1, sec. 546.15-.16 (AU 546.15-.16)]	—	—	—
e. Client representations about related party transactions? [SAS 6, par. 18 (AU 335.18)]	—	—	—
f. Client's refusal to provide written representation? [SAS 19, par. 11 (AU 333.11)]	—	—	—
g. Limitations on scope of lawyer's response? [SAS 12, pars. 12-14 (AU 337.12-.14)]	—	—	—
h. Unresolved matters involving specialists? [SAS 11, par. 9 (AU 336.09)]	—	—	—
i. Scope limitation concerning errors or irregularities? [SAS 16, par. 14 (AU 327.14)]	—	—	—

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
j. Illegal acts by clients? [SAS 17 (AU 328)]	—	—	—
k. [Reserved]			
l. Segment information? [SAS 21 (AU 435)]	—	—	—
m. Entity's continued existence? [SAS 34, pars. 11-13 (AU 340.11-.13)]	—	—	—
9. Has a piecemeal opinion been avoided? [SAS 2, par. 48 (AU 509.48); SAS 14, par. 12 (AU 621.12)]	—	—	—
10. For special reports, have the provisions of SAS No. 14 and SAS No. 35 been complied with:			
a. Statements prepared in accordance with a comprehensive basis of accounting other than generally accepted accounting principles? [SAS 14, pars. 2-8 (AU 621.02-.08)]	—	—	—
b. Specified elements, accounts or items of a financial statement? [SAS 14, pars. 9-14 (AU 621.09-.14); SAS 35 (AU 622)]	—	—	—
c. Compliance with aspects of agreements or regulatory requirements relating to audited financial statements? [SAS 14, pars. 18-19 (AU 621.18-.19)]	—	—	—
d. Financial information that requires a prescribed form of auditor's report? [SAS 14, pars. 20-21 (AU 621.20-.21)]	—	—	—
11. If information is to accompany the basic financial statements and auditor's report in an auditor-submitted document (long- form report):			
a. Is there a clear distinction between the client's representations and auditor's representations? [SAS 29, par. 20 (AU 551.20)]	—	—	—

Yes   No   N/A

b. Does the auditor's report on the accompanying information:

- (1) State that the examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole?
- (2) Specifically identify the accompanying information?
- (3) State that the accompanying information is presented for purposes of analysis and is not part of the basic financial statements?
- (4) State whether the additional information has been subjected to the auditing procedures applied in examining the basic financial statements and the appropriate expression or disclaimer?

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[SAS 29, pars. 6-11 (AU 551.06-.11)]

12. If an auditor-submitted document with accompanying information (long-form report) is co-existing with a document that includes just the basic financial statements and auditor's report:

- a. Do the basic financial statements in all co-existing documents consistently include all the information necessary for a fair presentation in conformity with generally accepted accounting principles?

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[SAS 29, par. 21 (AU 551.21)]

- b. Are any additional comments or explanations by the auditor consistent with the description of the scope of the examination in the auditor's standard (or modified) report?

\_\_\_\_   \_\_\_\_   \_\_\_\_

[SAS 29, par. 20 (AU 551.20)]

13. If the document contains interim financial information, has the auditor's report been



Yes   No   N/A

expanded if required?

[SAS 36, pars. 24-30 (AU 722.24-.30)]

— — —

14. If supplementary information required by the FASB is presented outside the basic financial statements in an auditor-submitted document, has an opinion been disclaimed on such information unless it has been audited? [SAS 29, par. 7 (AU 551.07); SAS 27, pars. 8 & 11 (AU 553.08 & 553.11)]

— — —

15. If the client is subjected to FASB requirements to include certain supplementary information in documents containing audited financial statements, has the auditor's report been appropriately modified if:

a. Required supplementary information is omitted?

— — —

b. Measurement or presentation of the supplementary information departs materially from guidelines prescribed by the FASB?

— — —

c. The auditor is unable to complete the procedures prescribed by SAS 27 and, if applicable:

(1) SAS 28, par. 4 (AU 554.04) for supplementary information on the effects of changing prices?

— — —

(2) SAS 33, par. 6 (AU 555.06) for supplementary oil and gas reserve information?

— — —

[SAS 27, pars. 8-11 (AU 553.08-.11)]

16. If a report on internal accounting control is to be issued<sup>1</sup> is the appropriate form used for:

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<sup>1</sup>Material weaknesses in internal accounting control that have not been corrected before they come to the auditor's attention must be communicated, preferably in writing, to senior management and the board of directors or its audit committee. [SAS 20, par. 4 (AU 323.04)]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. Expression of an opinion on the entity's system of internal accounting control in effect as of a specified date or during a specific period of time? [SAS 30, pars. 37-46 (AU 642.37-.46)]	—	—	—
b. Report for restricted use of management, specified regulatory agencies, or other specified third parties based solely on a study and evaluation made as part of an audit of financial statements but not sufficient for expressing an opinion on the system? [SAS 30, pars. 47-53 (AU 642.47-.53)]	—	—	—
c. Report on all or part of an entity's system for restricted use of management or specified regulatory agencies, based on the regulatory agencies' pre-established criteria? [SAS 30, pars. 54-59 (AU 642.54-.59)]	—	—	—
d. Other special purpose reports on all or parts of the entity's system for restricted use of management, specified regulatory agencies, or other specified third parties? [SAS 30, pars. 60-61 (AU 642.60-.61); SAS 44, pars. 35, 41 and 46 (AU 324.35, .41 and .46)]	—	—	—
17. If reporting in a client-prepared document on condensed financial statements (either for an annual or an interim period) that are derived from audited financial statements of a public entity that is required to file, at least annually, complete audited financial statements with a regulatory agency, does the auditor's report indicate:			
a. That he has examined and expressed an opinion on the complete financial statements?	—	—	—
b. The date of his report on the complete financial statements?	—	—	—
c. The type of opinion expressed?	—	—	—

Yes   No   N/A

- d. Whether, in his opinion, the information set forth in the condensed financial statements is fairly stated in all material respects in relation to the complete financial statements from which it has been derived?  
[SAS 42, par. 5 (AU 552.05)]
18. If a statement that names the auditor and also states that condensed financial statements have been derived from audited financial statements is made in a client-prepared document that does not include audited financial statements and the client is not a public entity that is required to file complete audited financial statements with a regulatory agency, at least annually, does the auditor's report express an adverse opinion on the condensed financial statements because of inadequate disclosure?  
[SAS 2, par. 17 (AU 509.17); SAS 42, par. 7, footnote 6 (AU 552.07, footnote 6)]
19. If reporting on selected financial data that are included in a client-prepared document that contains audited financial statements (or, with respect to a public entity, that incorporates such statements by reference to information filed with a regulatory agency) and that are derived from audited financial statements, does the auditor's report indicate the following:
- a. That he has examined and expressed an opinion on the complete financial statements?
- b. The type of opinion expressed?
- c. The specific data on which he is reporting?
- d. Whether, in his opinion, the information set forth in the selected financial data is fairly stated in all material respects in relation to the complete financial

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	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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statements from which it has been  
derived?

[SAS 42, par. 9 (AU 552.09)]

_____	_____	_____
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20. If the selected financial data for any of the years presented are derived from financial statements that were examined by another independent auditor, does the auditor's report on the selected financial data state that fact and express a disclaimer of opinion on that data?

[SAS 42, par. 9 (AU 552.09)]

_____	_____	_____
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—The next page is 8301.—

## AAM Section 8300

Accountants' Reports on Compiled or  
Reviewed Financial Statements of  
Nonpublic Entities Checklist<sup>1</sup>

.01 This checklist has been developed by the staff of the technical information division of the AICPA as a nonauthoritative practice aid. Accordingly, the notice on page 8001 is incorporated herein by reference.

## .02 Explanation of references:

SSARS = Statement on Standards for Accounting  
and Review Services

(AR) = Reference to section number in AICPA  
Professional Standards (vol. 2) of  
SSARS cited.

## .03 Checklist Questionnaire

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	<u>Yes</u>	<u>No</u>	<u>N/A</u>
1. Is the report appropriately worded?	___	___	___
a. For compiled financial statements does the report state that:			
o A compilation has been performed in accordance with standards established by the American Institute of Certified Public Accountants?	___	___	___
o A compilation is limited to presenting in the form of financial statements information that is the representation of management (owners)? [See SSARS No. 3,	___	___	___

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<sup>1</sup>A nonpublic entity is any entity other than (a) one whose securities trade in a public market either on a stock exchange (domestic or foreign) or in the over-the-counter market, including securities quoted only locally or regionally, (b) one that makes a filing with a regulatory agency in preparation for the sale of any class of its securities in a public market, or (c) a subsidiary, corporate joint venture, or other entity controlled by an entity covered by (a) or (b) (SSARS No. 2, par. 1, (AR section 200.01)). This matter is discussed further in Accounting and Review Services Interpretation No. 2 of SSARS No. 1, "Financial Statements Included in SEC Filings," (AR section 9100.03-.05).

Yes   No   N/A

par. 3 (AR 300.03) for different wording that may be used when the financial statements are included in a prescribed form and the form or related instructions call for departure from generally accepted accounting principles.]

- o The financial statements have not been audited or reviewed and, accordingly, the accountant does not express an opinion or any other form of assurance on them?      \_\_\_\_\_

[SSARS No. 1, par. 14 (AR 100.14); SSARS No. 5, par. 1 (AR 500.01)]

- b. For reviewed financial statements does the report state that:

- o A review was performed in accordance with standards established by the American Institute of Certified Public Accountants?      \_\_\_\_\_
- o All information included in the financial statements is the representation of the management (owners) of the entity?      \_\_\_\_\_
- o A review consists principally of inquiries of company personnel and analytical procedures applied to financial data?      \_\_\_\_\_
- o A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole and, accordingly, no such opinion is expressed?      \_\_\_\_\_
- o The accountant is not aware of any material modification that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles or, where applicable, with another comprehensive basis of accounting, other than those modifications, if any, indicated in his report?      \_\_\_\_\_



Yes   No   N/A

[SSARS No. 1, par. 32 (AR 100.32)]

- c. For both compiled and reviewed financial statements, does the report exclude a description of any other procedures that the accountant might have performed before or during the engagement?

\_\_\_\_\_

[SSARS No. 1, pars. 14 & 32 (AR 100.14 & 100.32)]

2. For compiled financial statements that contain departures<sup>2</sup> from generally accepted accounting principles or, where applicable, another comprehensive basis of accounting:

- a. If the departure is the omission in compiled financial statements of substantially all required disclosures does the accountant's report clearly indicate such omission?

\_\_\_\_\_

[SSARS No. 1, pars. 19 & 21 (AR 100. 19 & 100.21)]

- b. If compiled financial statements that omit substantially all of the disclosures required by generally accepted accounting principles include disclosures about only a few matters in the form of notes to such financial statements, are such disclosures labeled "Selected Information—Substantially All Disclosures Required by Generally Accepted Accounting Principles (or, where applicable, another comprehensive basis of accounting) Are Not Included"?

\_\_\_\_\_

[SSARS No. 1, par. 19 (AR 100.19)]

- c. If compiled financial statements that omit substantially all required disclosures are prepared on a basis of

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<sup>2</sup>Other than departures required by a prescribed form or related instructions when the accountant issues a SSARS No. 3 [AR 300] compilation report on financial statements included in a prescribed form.

Yes   No   N/A

accounting other than generally accepted accounting principles, and if such financial statements do not include disclosure of the basis of accounting used, does the accountant's report disclose the basis of accounting?

\_\_\_\_\_

[SSARS No. 1, par. 20 (AR 100.20)]

If compiled financial statements contain other departure(s) from generally accepted accounting principles or, where applicable, another comprehensive basis of accounting, did the accountant modify his report to disclose the departure?

\_\_\_\_\_

[SSARS No. 1, par. 39 (AR 100.39)]

- (1) If yes, did the accountant's modified report disclose the departure in a separate paragraph?

\_\_\_\_\_

[SSARS No. 1, par. 40 (AR 100.40)]

- (2) If the effects of the departure on the financial statements have been determined by management or are known as a result of the accountant's procedures, are these effects also disclosed in the modified report?

\_\_\_\_\_

[SSARS No. 1, par. 40 (AR 100.40)]

- (3) If the effects of the departure on the financial statements have not been determined, has the accountant stated this in his report?

\_\_\_\_\_

[SSARS No. 1, par. 40 (AR 100.40)]

3. For reviewed financial statements, that contain departures from generally accepted accounting principles or, where applicable, another comprehensive basis of accounting, (including the omission of required disclosures), did the ac-

Yes   No   N/A

countant modify his report to disclose the departure?

\_\_\_\_\_

[SSARS No. 1, par. 39 (AR 100.39)]

- a. If yes, did the accountant's modified report disclose the departure in a separate paragraph?

\_\_\_\_\_

[SSARS No. 1, par. 40 (AR 100.40)]

- b. If the effects of the departure on the financial statements have been determined by management or are known as a result of the accountant's procedures, are these effects also disclosed in the modified report?

\_\_\_\_\_

[SSARS No. 1, par. 40 (AR 100.40)]

- c. If the effects of the departure on the financial statements have not been determined, has the accountant stated this in his report?

\_\_\_\_\_

[SSARS No. 1, par. 40 (AR 100.40)]

4. If the accountant is not independent with respect to the entity for which he has compiled financial statements, did the accountant state in the last paragraph of his report, "I am (we are) not independent with respect to XYZ company"?  
(The accountant is precluded from issuing a review report on the financial statements of an entity with respect to which he is not independent.)

\_\_\_\_\_

[SSARS No. 1, pars. 22 & 38 (AR 100.22 & 100.38)]

5. Is the report dated?

\_\_\_\_\_

6. a. Does each page of the financial statements compiled by the accountant include a reference such as "See Accountant's Compilation Report"?

\_\_\_\_\_

[SSARS No. 1, par. 16 (AR 100.16)]

Yes   No   N/A

or

- b. Does each page of the financial statements reviewed by the accountant include a reference such as "See Accountant's Review Report"?

\_\_\_\_\_

[SSARS No. 1, par. 34 (AR 100.34)]

7. When accompanying information is presented with the financial statements, did the accountant clearly indicate his degree of responsibility with respect to such information as follows:

- a. If the basic financial statements were reviewed, was the degree of responsibility disclosed in the report or in a separate report on the other data that states:

o The review has been made primarily for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles or, where applicable, another comprehensive basis of accounting, and either:

\_\_\_\_\_

o The other data accompanying the financial statements are presented only for supplementary analysis purposes and have been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and the accountant did not become aware of any material modifications that should be made to such data, or

\_\_\_\_\_

o The other data accompanying the financial statements are presented only for supplementary analysis purposes and have not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but were compiled from information

Yes   No   N/A

that is the representation of management, without audit or review, and the accountant does not express an opinion or any other form of assurance on such data?

\_\_\_\_\_

[SSARS No. 1, par. 43 (AR 100.43)]

- b. If the accountant has compiled both the basic financial statements and other data which is presented for supplementary analysis purposes, does the compilation report also include the other data?

\_\_\_\_\_

[SSARS No. 1, par. 43 (AR 100.43)]

8. If an audit engagement has been changed to a review or compilation, does the report omit reference to: a) the original engagement, b) any auditing procedures that may have been performed, c) any scope limitation that resulted in the changed engagement?

\_\_\_\_\_

[SSARS No. 1, par. 49 (AR 100.49)]

9. If comparative financial statements are presented, does the accountant's report cover each period presented?

\_\_\_\_\_

[SSARS No. 2, par. 2 (AR 200.02)]

10. Is the report appropriate for the current status of the entity?

\_\_\_\_\_

[SSARS No. 2, pars. 31 & 32 (AR 200.31 & 200.32)]

11. Does each page of the comparative financial statements compiled or reviewed include a reference such as "See Accountant's Report"?

\_\_\_\_\_

[SSARS No. 2, par. 6 (AR 200.06)]

12. If compiled financial statements which omit substantially all of the disclosures required by generally accepted accounting principles are included among the comparative financial statements, do all the periods presented also omit such disclosures and does the accountant's compilation report include an additional paragraph which indicates:

Yes   No   N/A

o The nature of the previous service rendered (compilation, review or audit)?

\_\_\_\_\_

o Date of the previous report?

\_\_\_\_\_

o Appropriate language in accordance with SSARS No. 1, paragraphs 19-20 and SSARS No. 2, paragraph 30?

\_\_\_\_\_

[SSARS No. 1, pars. 19-21 (AR 100.19-.21);  
SSARS No. 2, pars. 5 & 29-30 (AR 200.05 & 200.29-.30)]

13. If the level of service performed by the continuing accountant on the current-period financial statements is the same or higher than that performed on the financial statements of the prior period presented, has the continuing accountant's report on the prior period been updated?

\_\_\_\_\_

[SSARS No. 2, pars. 8-10 (AR 200.08-.10)]

14. If the level of service performed by the continuing accountant on the current-period financial statements is lower than that performed on the financial statements of the prior period presented,

a. Does the report on the current period include a separate paragraph which describes the responsibility assumed for the prior period?

\_\_\_\_\_

or

b. Is the report on the current period accompanied by or combined with a reissued report on the financial statements of the prior period presented?

\_\_\_\_\_

[SSARS No. 2, pars. 8 & 11-12 (AR 200.08 & 200.11-.12)]

15. If the report requires a changed reference to a departure from generally accepted accounting principles regarding the prior



Yes   No   N/A

period presented, does the explanatory paragraph in the report include:

- o The date of the previous report? \_\_\_\_\_
- o Description of the circumstances or events underlying the change? \_\_\_\_\_
- o Indication, if applicable, that the prior-period financial statements have changed? \_\_\_\_\_

[SSARS No. 2, pars. 14-15 (AR 200.14-.15)]

16. If the predecessor accountant does not reissue his compilation or review report on the prior-period financial statements, has the successor:

- a. Made appropriate reference in his report to the predecessor's report in accordance with SSARS No. 2? \_\_\_\_\_

or

- b. Performed a compilation, review, or audit of the statements of the prior period and reported on them accordingly? \_\_\_\_\_

[SSARS No. 2, pars. 16-19 (AR 200.16-.19)]

17. If the financial statements of the prior period presented have been changed, has the predecessor or successor reported on them as presented? \_\_\_\_\_

[SSARS No. 2, pars. 25-26 (AR 200.25-.26)]

18. If the current-period financial statements were compiled or reviewed and the financial statements of the prior period presented were audited and the audit report has not been reissued, does the current-period report include a separate paragraph which contains the following:

- o Statement that the prior-period financial statements were examined previously \_\_\_\_\_
- o Date of the previous report? \_\_\_\_\_
- o Type of opinion expressed previously? \_\_\_\_\_

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
o If the opinion was other than unqualified, the substantive reasons therefor?	_____	_____	_____
o That no auditing procedures were per- formed after the date of the previous report?	_____	_____	_____

[SSARS No. 2, par. 28 (AR 200.28)]

[For guidance on situations when the  
current period is audited and the prior  
period is compiled or reviewed, see the  
Statement on Auditing Standards No. 26.]

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—The next page is 8401.—

## AAM Section 8400

Financial Statements and  
Notes Checklist

.01 This checklist has been developed by the staff of the technical information division of the AICPA as a nonauthoritative practice aid. Accordingly, the notice on page 8001 is incorporated herein by reference.

.02 Explanation of references:

- ARB = Accounting Research Bulletin
- APB = Accounting Principles Board Opinion
- SFAS = Statement of Financial Accounting Standards
- SAS = Statements on Auditing Standards
- FASBI = Financial Accounting Standards Board Interpretation
- TB = Technical Bulletin issued by the staff of the FASB<sup>1</sup>
- (AC) = Reference to section number in FASB Accounting Standards Current Text
- (AU) = Reference to section number in AICPA Professional Standards (vol. 1) of SAS cited.

.03 This checklist is organized into the following classifications:

o General

- A. Titles and References
- B. Disclosure of Accounting Policies
- C. Accounting Changes
- D. Comparative Financial Statements
- E. Business Combinations
- F. Consolidations
- G. Related Party Transactions and Economic Dependency
- H. Foreign Currency
- I. Nonmonetary Transactions
- J. Contingencies and Commitments
- K. Subsequent Events
- L. Pension Plans
- M. Development Stage Enterprises
- N. Other Matters

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<sup>1</sup>The FASB staff issues FASB Technical Bulletins to provide guidance concerning the application of FASB Statements or Interpretations, APB Opinions, or Accounting Research Bulletins. FASB Technical Bulletins do not establish new financial accounting and reporting standards or amend existing standards.

o Balance Sheet

- A. General
- B. Cash
- C. Marketable Securities
- D. Receivables
- E. Inventories
- F. Investments
- G. Property and Equipment
- H. Lessors
- I. Other Assets and Deferred Charges
- J. Current Liabilities
- K. Notes Payable and Other Debt
- L. Lessees
- M. Other Liabilities and Deferred Credits
- N. Stockholders' Equity
- O. Changes in Stockholders' Equity

o Income Statement

- A. Revenue and Expenses
- B. Income Taxes
- C. Discontinued Operations
- D. Extraordinary Items
- E. Other

o Statement of Changes in Financial Position

- A. Format
- B. Content

Yes   No   N/A

.04 General

A. Titles and References

1. Are the financial statements suitably titled?  
[SAS 14, par. 7 (AU 621.07)]
2. Does each statement include a general reference to the notes that are an integral part of the financial statement presentation?  
[APB Statement 4, Ch. 2, par. 10]
3. Are the notes referenced to and from the applicable statement

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
--	------------	-----------	------------

classification or appropriately captioned? [APB Statement 4, Ch. 2, par. 10]	—	—	—
---	---	---	---

B. Disclosure of Accounting Policies

- |   |   |   |   |
|---|---|---|---|
| 1. Is a description of all significant accounting policies of the reporting entity presented as an integral part of the financial statements?<br>[APB 22, par. 8 (AC A10.102)]  | — | — | — |
| 2. Does disclosure of significant accounting policies encompass important judgments as to appropriateness of principles concerning recognition of revenue, and allocation of asset costs to current and future periods?<br>[APB 22, par. 12 (AC A10.105); TB 81-1, par. 7 (AC I86.502); TB 82-1, par. 7 (AC I28.513)] | — | — | — |
| 3. Does the disclosure of significant accounting policies include appropriate reference to details presented elsewhere (in the statements and notes thereto) so duplication of details is avoided?<br>[APB 22, par. 14 (AC A10.107)]  | — | — | — |

C. Accounting Changes

- |  |   |   |   |
|--|---|---|---|
| 1. For an accounting change does disclosure in the period of the change include:                             |   |   |   |
| a. Nature of the Change?   | — | — | — |
| b. Justification for the change including a clear explanation why the newly adopted principle is preferable? | — | — | — |
| c. Effect on Income?   | — | — | — |
| [APB 20, par. 17 (AC A06.113)]   |   |   |   |
| 2. Have the applicable AICPA Statements of Position and Guides listed in                                     |   |   |   |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Appendix A to SFAS 32 (AC section A06 Exhibit 112A) been considered in justification of a change in accounting principle? [SFAS 32, pars. 10-11 (AC A06.112); APB 20, par. 16 (AC A06.112)]	—	—	—
3. If appropriate, is the cumulative effect of an accounting change shown separately between the captions "extraordinary items" and "net income?" [APB 20, pars. 18-26 (AC A06.114-.122 and E09.104)]	—	—	—
4. If prior periods are presented, are they restated for the following special changes in accounting principles:			
a. Change from LIFO method of inventory pricing to another method?	—	—	—
b. Change in method of accounting for long term construction type contracts?	—	—	—
c. Change to or from the full cost method of accounting in extractive industries?	—	—	—
[APB 20, pars. 27-28 (AC A06.123-.124)]			
5. Is the correction of an error shown as a prior adjustment with disclosure of the following in the period of its discovery and correction:			
a. Nature of the error in previously issued financial statements?	—	—	—
b. Effect of its correction on income before extraordinary items, net income (and related per share amounts)?	—	—	—
[APB 20, pars. 36-37 (AC A35.105); SFAS 16, par. 11 (AC A35.103)]			



Yes   No   N/A

#### D. Comparative Financial Statements

1. Have comparative statements been considered?  
[ARB 43, Ch. 2A, pars. 1-2  
(AC F43.101-.102)] \_\_\_\_\_
  
2. Are the notes and other disclosures included in the financial statements of the preceding year(s) presented, repeated or at least referred to, to the extent that they continue to be of significance?  
[ARB 43, Ch. 2A, par. 2 (AC F43.102)] \_\_\_\_\_
  
3. If changes have occurred in the manner of or basis for presenting corresponding items for two or more periods, are appropriate explanations of the changes disclosed?  
[ARB 43, Ch. 2A, par. 2 (AC F43.102)] \_\_\_\_\_

#### E. Business Combinations

1. If a business combination occurred during the period and met the specified conditions for a pooling of interests [APB 16, pars. 45-48 (AC B50.104-.107)]:
  - a. Has the required accounting method been applied?  
[APB 16, pars. 50-62 (AC B50.109-.121)] \_\_\_\_\_
  
  - b. Do the statements and notes include the required disclosures?  
[APB 16, pars. 63-65 (AC B50.122-.124)] \_\_\_\_\_
  
2. If a business combination does not meet the specified conditions for a pooling of interests:
  - a. Has the combination been accounted for by the purchase method?  
[APB 16, pars. 66-94  
(AC B50.125-.147 and B50.159-.163);  
SFAS 38 (AC B50.148-.150 and B50.166);  
TB 81-2, par. 4 (AC B50.650)] \_\_\_\_\_

Yes   No   N/A

[FASBI 4 (AC B50.151-.152) concerns research and development activities of an acquired subsidiary]

- b. Do the statements and notes include the required disclosures?

[APB 16, pars. 95-96 (AC B50.164-.165)]

\_\_\_\_

#### F. Consolidations

1. If consolidated statements are presented:

- a. Is the consolidated policy disclosed?

[ARB 51, par. 5 (AC C51.108);  
APB 22, par. 13 (AC A10.106)]

\_\_\_\_

- b. Are intercompany balances and transactions eliminated?

[ARB 51, par. 6 (AC C51.109  
and Re6.110)]

\_\_\_\_

- c. In instances when the financial reporting periods of subsidiaries differ from that of the parent, is recognition given to the effect of intervening events that materially affect financial position or the results of operations?

[ARB 51, par. 4 (AC C51.107);  
SFAS 12, pars. 18-20  
(AC I89.112-.114);  
FASBI 13 (AC I89.120-.122)]

\_\_\_\_

2. Are the accounts of subsidiaries whose principal business activity is leasing property or facilities to the parent or other affiliated companies consolidated?

[SFAS 13, par. 31 (AC L10.127)]

\_\_\_\_

3. Are current and noncurrent marketable equity securities portfolios of consolidated entities treated as single current and noncurrent consolidated portfolios?

[SFAS 12, pars. 9 & 15  
(AC I89.103 and I89.109)]

\_\_\_\_

Yes   No   N/A

4. If the parent company includes realized gains or losses of marketable securities in net income and a consolidated subsidiary does not, has the subsidiary's accounting treatment for marketable securities been conformed with that of the parent?  
[SFAS 12, par. 18 (AC I89.112)]
5. If the parent follows specialized accounting practices for marketable securities and the consolidated subsidiaries do not, are the subsidiaries' current and noncurrent portfolios consolidated as separate current and noncurrent portfolios exclusive of the parent and is the information required by SFAS 12, par. 12 disclosed?  
[SFAS 12, pars. 12 & 19 (AC I89.106 and I89.113)]
6. If the consolidated financial statements include more than one accepted practice of accounting for marketable securities, are the required disclosures for the various methods disclosed?  
[SFAS 12, par. 20 (AC I89.114)]
7. For undistributed earnings of a consolidated subsidiary and/or corporate joint venture, for which income taxes have not been accrued, do disclosures include:
  - a. Declaration of either intention to reinvest such earnings to support the conclusion that their remittance has been indefinitely postponed, or that the undistributed earnings will be remitted in the form of a tax free liquidation?
  - b. Cumulative amount of undistributed earnings on which the parent company has not recognized income taxes?

Yes   No   N/A

[APB 23, pars. 14 & 18 (AC I42.109  
and I42.112)]

G. Related Party Transactions and  
Economic Dependency

1. For related party transactions do  
disclosures include:

- a. The nature of the relationship(s)  
involved (e.g. parent, subsidiary  
and affiliate companies, officers,  
stockholders, etc.)? \_\_\_\_\_
- b. A description of the transactions,  
including transactions to which no  
amounts or nominal amounts were  
ascribed, for each of the periods  
for which income statements are  
presented, and such other infor-  
mation deemed necessary to an  
understanding of the effects of  
the transactions on the financial  
statements? \_\_\_\_\_
- c. The dollar amounts of transactions  
for each of the periods for which  
income statements are presented and  
the effects of any change in the  
method of establishing the terms  
from that used in the preceding  
period? \_\_\_\_\_
- d. Amounts due from or to related  
parties as of the date of each  
balance sheet presented and,  
if not otherwise apparent,  
the terms and manner of  
settlement? \_\_\_\_\_

[SFAS 57, pars. 2-4 (AC R36.102-.104)]

- 2. Is information about economic  
dependency disclosed when  
necessary for a fair presentation?  
[SFAS 21, par. 9 (AC S20.103)] \_\_\_\_\_

- 3. Is the nature of a controlled  
relationship disclosed, even

Yes   No   N/A

though there are no transactions between the enterprises, if the reporting enterprise and one or more other enterprises are under common ownership or management control and the existence of the control could result in operating results or financial position of the reporting enterprise significantly different from those that would have been obtained if the enterprise were autonomous?

\_\_\_\_\_

[SFAS 57, pars. 2 & 4 (AC R36.102 and R36.104)]

#### H. Foreign Currency

1. Is the aggregate exchange gain or loss included in net income for the period disclosed?

[SFAS 52, par. 30 (AC F60.140)]

\_\_\_\_\_

2. Is an analysis of changes during the period in the separate component of equity for cumulative translation adjustments included, and does it disclose:

- a. Beginning and ending amount of cumulative translation adjustments?

\_\_\_\_\_

- b. The aggregate adjustment for the period resulting from translation adjustments and gains and losses from certain hedges and intercompany balances?

\_\_\_\_\_

- c. The amount of income taxes for the period allocated to translation adjustments?

\_\_\_\_\_

- d. The amounts transferred from cumulative translation adjustments and included in the determination of net income for the period as a result of the

Yes   No   N/A

sale or complete or substantially complete liquidation of an investment in a foreign entity?

\_\_\_\_\_

[SFAS 52, par. 31 (AC F60.141)]

3. Are rate changes occurring after the date of the financial statements and the effects on unsettled balances related to foreign currency translations disclosed if significant?

\_\_\_\_\_

[SFAS 52, par. 32 (AC F60.142)]

4. Are any foreign earnings reported in addition to amounts received in the United States disclosed, if significant?  
[ARB 43, Ch. 12, par. 5 (AC F60.144)]

\_\_\_\_\_

5. Are foreign operations adequately disclosed?  
[ARB 43, Ch. 12, pars. 8-9  
(AC C51.105-.106)]

\_\_\_\_\_

#### I. Nonmonetary Transactions

1. Are nonmonetary transactions accounted for in conformity with APB 29?  
[APB 29, pars. 18-27 (AC C11.101 and N35.105-.113)]
2. Do disclosures for nonmonetary transactions during the period include:
- a. Nature of the transactions?
- b. Basis of accounting for the assets transferred?
- c. Gains or losses recognized on the transfers?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

[APB 29, par. 28 (AC C11.102 and N35.120);  
FASBI 30 (AC N35.114-.119)]

Yes   No   N/A

## J. Contingencies and Commitments

- |  |   |   |   |
|--|---|---|---|
| 1. Are the nature and amount of accrued loss contingencies disclosed as necessary to keep the financial statements from being misleading?<br>[SFAS 5, par. 9 (AC C59.108)]   | — | — | — |
| 2. For loss contingencies not accrued do disclosures indicate:   |   |   |   |
| a. Nature of the contingency?  | — | — | — |
| b. Estimate of possible loss or range of loss, or a statement that such estimate cannot be made?   | — | — | — |
| [SFAS 5, par. 10 (AC C59.109 and C59.111)]   |   |   |   |
| 3. Are the nature and amount of guarantees disclosed (for example, guarantee of indebtedness of others, obligations of banks under standby letters of credit, guarantees to repurchase receivables that have been sold or otherwise assigned)?<br>[SFAS 5, par. 12 (AC C59.113); FASBI 34, pars. 1-3 (AC C59.114)] | — | — | — |
| 4. Are gain contingencies adequately disclosed with care to avoid any misleading implications about likelihood of realization?<br>[SFAS 5, par. 17 (AC C59.118)]   | — | — | — |
| 5. Is there adequate disclosure of commitments such as those for capital expenditures, restrictive covenants in financing agreements, inventory purchase agreements, and employment contracts?<br>[SFAS 5, pars. 18-19 (AC C59.120)]   | — | — | — |
| 6. For long-term unconditional purchase obligations associated with suppliers' financing that are not recognized in  |   |   |   |

Yes   No   N/A

the balance sheet, are the following disclosed:

- |  |       |       |       |
|--|-------|-------|-------|
| a. Nature of the obligation(s)?  | _____ | _____ | _____ |
| b. Amount of the fixed and determinable obligation in the aggregate and for each of the next five years? | _____ | _____ | _____ |
| c. Description of any portion of the obligation that is variable?  | _____ | _____ | _____ |
| d. Purchases under the obligation(s) for each year for which an income statement is presented?           | _____ | _____ | _____ |

[SFAS 47, par. 7 (AC C32.102)]

#### K. Subsequent Events

- |  |       |       |       |
|--|-------|-------|-------|
| 1. Are the financial statements adjusted for any changes in estimates resulting from subsequent events that provided additional evidence with respect to conditions that existed at the date of the balance sheet?<br>[SFAS 5, par. 8 (AC C59.105); SAS 1, secs. 560.03-.04, 560.07 and 561.01-.09 (AU 560.03-.04, 560.07 and 561.01-.09)]   | _____ | _____ | _____ |
| 2. Are subsequent events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date adequately disclosed to keep the financial statements from being misleading?<br>[SFAS 5, par. 11 (AC C59.112); APB 16, par. 61 (AC B50.120) and SAS 1, secs. 560.05-.07, 560.09 and 561.01-.09 (AU 560.05-.07, 560.09 and 561.01-.09)] | _____ | _____ | _____ |

#### L. Pension Plans<sup>2</sup>

---

<sup>2</sup>For defined benefit pension plans, accounting and reporting by the plans themselves should be in conformity with SFAS 35 (AC Pe5).



Yes   No   N/A

1. If there is a pension plan (defined benefit or otherwise) do disclosures include:

- a. Statement on existence of the plan(s) and identification or description of the employee groups covered? \_\_\_\_\_
- b. Statement of the entity's accounting and funding policies? \_\_\_\_\_
- c. Provision for pension cost for the period(s)? \_\_\_\_\_
- d. Nature and effect of significant matters affecting comparability for all periods presented? \_\_\_\_\_

[SFAS 36, par. 7 (AC Pl5.130);  
TB 81-3, pars. 4-6 (AC Pl5.503-.505)]

2. For defined benefit pension plans<sup>3</sup> do disclosures also include:

- a. Actuarial present value of vested accumulated plan benefits? \_\_\_\_\_
- b. Actuarial present value of nonvested accumulated plan benefits? \_\_\_\_\_
- c. Plan's net assets available for benefits? \_\_\_\_\_
- d. Assumed rates of return used in determining the actuarial present value of vested and nonvested accumulated plan benefits? \_\_\_\_\_

---

<sup>3</sup>For plans for which this information is not available, the entity may continue to comply with the disclosure requirements originally contained in APB Opinion 8 (AC Pl5) before amendment by SFAS 36 (AC Pl5.130-.132 and Pl5.134). Plans for which this information is not available are expected to be only those plans that do not report such information to certain governmental agencies pursuant to the Employee Retirement Income Security Act of 1974 (ERISA).

Yes   No   N/A

- e. Date as of which the benefit information was determined?

\_\_\_\_\_

[SFAS 36, par. 8 (AC P15.131)]

M. Development Stage Enterprises

1. Do financial statements of development stage enterprises:

- a. Present financial position, changes in financial position, and results of operations in conformity with generally accepted accounting principles that apply to established operating enterprises?

[SFAS 7, par. 10 (AC De4.105);  
FASBI 7 (AC De4.106)]

\_\_\_\_\_

- b. Disclose amounts of cumulative revenue, expenses, net losses, changes in financial position and stockholders' equity since inception?

[SFAS 7, par. 11 (AC De4.107)]

\_\_\_\_\_

- c. Identify the enterprise as a "development stage enterprise" and include a description of the nature of its development stage activities?

[SFAS 7, par. 12 (AC De4.108)]

\_\_\_\_\_

2. For the first fiscal year in which an enterprise is no longer in the development stage, is there disclosure that in prior years it had been a development stage enterprise?

[SFAS 7, par. 13 (AC De4.109)]

\_\_\_\_\_

N. Other Matters

1. If required [SFAS 21 (AC S20)], does the financial statement presentation include segment information?  
[SFAS 14 (AC S20); SFAS 24 (AC S20.109-.110); SFAS 30 (AC S20.145); and TBs 79-4, 79-5 & 79-8 (AC S20.501-.507)]

\_\_\_\_\_

Yes   No   N/A

2. If required, is supplementary information about the effects of changing prices presented?

[SFAS 33 (AC C27); SFAS 70 (AC C27)]

— — —

.05 Balance Sheet

A. General

1. For classified balance sheets are assets and liabilities segregated into current and non-current classifications with totals presented for current assets and current liabilities?

[ARB 43, Ch. 3A, (AC B05.101 and B05.103-.109); SFAS 6, par. 15 (AC B05.118); FASBI 8, par. 3 (AC B05.138-.139); TB 79-3 (AC B05.501-.503)]

— — —

2. Are assets not expected to be realized during the current operating cycle classified as non-current?

[ARB 43, Ch. 3A, pars. 5-6 (AC B05.106-.107)]

— — —

3. Are valuation allowances contra to such assets as receivables and investments shown as deductions from their related assets with appropriate disclosure?

[APB 12, par. 3 (AC V18.102)]

— — —

B. Cash

1. Is restricted cash appropriately segregated from cash available for current operations?

[ARB 43, Ch. 3A, par. 6 (AC B05.107)]

— — —

2. Are restrictions on cash appropriately disclosed?

[SFAS 5, pars. 18-19 (AC C59.120)]

— — —

C. Marketable Securities

1. For entities in industries not having certain specialized practices for marketable securities:

Yes   No   N/A

- |  |   |
|--|---|
| <p>a. Are the carrying amounts of the marketable equity securities portfolios (current and noncurrent) each at the lower of aggregate cost or market?<br/>[SFAS 12, pars. 8 &amp; 15 (AC I89.102 and I89.109)]</p> <p>b. Is the amount by which aggregate cost exceeds aggregate market value of a portfolio accounted for as a valuation allowance?<br/>[SFAS 12, par. 8 (AC I89.102); FASBI 12; FASBI 13 (AC I89.120-.122)]</p> <p>c. Are changes in the valuation allowances appropriately accounted for?<br/>[SFAS 12, par. 11 (AC I89.105)]</p> <p>d. Are realized gains and losses included in net income of the period in which they occur?<br/>[SFAS 12, par. 11 (AC I89.105)]</p> | <p>—   —   —</p> <p>—   —   —</p> <p>—   —   —</p> <p>—   —   —</p> |
|--|---|
- 
- |  |                  |
|--|------------------|
| <p>2. Are marketable equity securities portfolios of consolidated affiliates appropriately treated in consolidation?<br/>[SFAS 12, pars. 9, 15 &amp; 18-20 (AC I89.103, I89.109 and I89.112-.114); FASBI 13 (AC I89.120-.122)]</p> | <p>—   —   —</p> |
|--|------------------|
- 
- |   |                  |
|---|------------------|
| <p>3. Are marketable equity securities portfolios of nonconsolidated subsidiaries accounted for by the equity method appropriately treated?<br/>[SFAS 12, pars. 9 &amp; 18-20 (AC I89.103 and I89.112-.114); TB 79-19, par. 6 (AC I82.514)]</p> | <p>—   —   —</p> |
|---|------------------|
- 
- |   |                  |
|---|------------------|
| <p>4. If particular marketable securities for which changes in carrying amounts are included in stockholders equity have declines in market value below cost, and the declines are "judged to be other than temporary," is the cost</p> | <p>—   —   —</p> |
|---|------------------|

Yes   No   N/A

basis written down and the write down accounted for as a loss?

[SFAS 12, par. 21 (AC I89.115);  
FASBI 11, (AC I89.115-.116)]

\_\_\_\_\_

5. Are income tax effects for unrealized gains or losses on marketable securities:

a. Recognized in conformity with APB No. 11 (AC I24)?

\_\_\_\_\_

b. For unrealized capital losses are tax benefits recognized only when there is "assurance beyond a reasonable doubt" that the benefit will be realized by an offset of loss against capital gains?

\_\_\_\_\_

[SFAS 12, par. 22 (AC I89.117)]

6. For marketable equity securities do disclosures include:

a. For each balance sheet presented, aggregate cost and market value (each segregated between current and noncurrent portfolios when applicable) with identification of which is the carrying amount?  
[SFAS 12, par. 12a (AC I89.106a)]

\_\_\_\_\_

b. For the latest balance sheet presented, gross unrealized gains and gross unrealized losses (each segregated between current and noncurrent portfolios when applicable)?  
[SFAS 12, pars. 12b & 16a  
(AC I89.106b and I89.110a)]

\_\_\_\_\_

c. The following information for each period for which an income statement is presented:

(1) Net realized gain or loss included in determination of net income?  
[SFAS 12, par. 12c  
(AC I89.106c)]

\_\_\_\_\_

Yes   No   N/A

- (2) Basis on which cost was determined in computing realized gain or loss (e.g. average cost, FIFO)?  
[SFAS 12, par. 12c (AC I89.106c)]
- (3) The change in valuation allowance(s) included in the equity section of the balance sheet during the period and when a classified balance sheet is presented, the amount of such change included in determination of net income?  
[SFAS 12, par. 12c (AC I89.106c)]
7. Are significant net realized and net unrealized gains and losses that arose after the latest balance sheet date but before issuance of the financial statements disclosed in the notes?  
[SFAS 12, pars. 13 & 17 (AC I89.107 and I89.111); FASBI 11 (AC I89.115-.116); FASBI 13 (AC I89.120-.122)]
8. Are valuation allowances shown as deductions from their related portfolios with appropriate disclosure?  
[APB 12, par. 3 (AC V18.102)]

D. Receivables

1. Are accounts and notes receivable from officers, employees, and affiliated companies shown separately with appropriate disclosures?  
[ARB 43, Ch. 1A, par. 5 (AC R36.105)]
2. Are unbilled receivables (e.g. unbilled costs and fees under cost-plus-fixed-fee contracts) shown separately from billed receivables?  
[ARB 43, Ch. 11A, par. 4]
3. Are unearned finance charges and interest included in the face amounts of receivables shown as a deduction from the related receivables?  
[APB 6, par. 14 (AC B05.105)]

Yes   No   N/A

4. If a note is non-interest bearing or has an inappropriate stated interest rate:

- a. Is the discount or premium presented as a deduction from or addition to the face amount of the note?
- b. Does the disclosure include the effective interest rate and face amount of the note?
- c. Is amortization of discount or premium reported as interest in the income statement?

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[APB 21, par. 16 (AC I69.109)]

5. Are allowances for uncollectible receivables shown as deductions from the related receivables?

[APB 12, par. 3 (AC V18.102)]

\_\_\_\_\_

6. For troubled debt restructurings are the following disclosed by major category of receivables as of each balance sheet presented:

- a. Aggregate recorded investment?
- b. Gross interest income that would have been recorded if receivables had been current per their original terms?
- c. Amount of interest income included in net income?
- d. Amounts of any commitments to lend additional funds to debtors owing restructured troubled receivables?

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\_\_\_\_\_

[SFAS 15, pars. 40-41 (AC D22.136-.137);  
TBS 79-6 and 79-7 (AC D22.501-.505)]

#### E. Inventories

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
1. Are the major classes of inventory disclosed (e.g. finished goods, work in process, raw materials)? [ARB 43, Ch. 3A, pars. 4 & 9 (AC B05.105); ARB 43, Ch. 4, Statement 1, par. 3 (AC I78.102-.103)]	—	—	—
2. Is the method of determining inventory cost (e.g. LIFO, FIFO) disclosed? [ARB 43, Ch. 3A, par. 9]	—	—	—
3. Is the basis for stating inventory amounts disclosed (e.g. lower of cost or market)? [ARB 43, Ch. 4, Statements 3-9, pars. 4-16 (AC I78.104-.117 and I78.119-.120); APB 22, par. 13 (AC A10.106)]	—	—	—
4. Are valuation allowances for inventory losses shown as a deduction from the related inventory? [APB 12, par. 3 (AC V18.102)]	—	—	—
<b>F. Investments</b>			
1. Is the equity method used to account for investments in common stock of:			
a. Unconsolidated subsidiaries? (APB 18, par. 14 (AC I82.102))	—	—	—
b. Corporate joint ventures? [APB 18, par. 16 (AC I82.103)]	—	—	—
c. Investees in which the entity has "ability to exercise significant influence" (generally presumed to be 20% or more of the voting stock)? [APB 18, par. 17 (AC I82.104); FASBI 35, pars. 2-5 (AC I82.106-.108)]	—	—	—
2. Is the equity method appropriately applied? [APB 18, par. 19 (AC I82.109); TB 79-19, par. 6 (AC I82.514)]	—	—	—
3. Are the appropriate disclosures made for investments in common stock ac-			



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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counted for by the equity method? [APB 18, par. 20 (AC I82.110)]	—	—	—
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# G. Property and Equipment

1. For depreciable assets, do the financial statements or notes thereto include disclosure of:

a. Depreciation expense for each period? [APB 12, par. 5a (AC D40.105a)]	—	—	—
---	---	---	---

b. Balances of major classes of depreciable assets by nature or function? [APB 12, par. 5b (AC D40.105b)]	—	—	—
--	---	---	---

c. Accumulated depreciation, either by major classes of assets or in total? [APB 12, par. 5c (AC D40.105c)]	—	—	—
--	---	---	---

d. The method or methods used in computing depreciation with respect to major classes of depreciable assets? [APB 12, par. 5d (AC D40.105d); APB 22, par. 13 (AC A10.106)]	—	—	—
--	---	---	---

e. Investment credit, method followed and amounts involved when material? [APB 4, par. 11 (AC I32.103); FASBI 25 (AC B50.153-.154, I32.107, I32.114-.115, I32.117-.120 and I37.109)]	—	—	—
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2. Are net assets and liabilities of discontinued segments segregated from the assets and liabilities of continuing operations? [APB 30, par. 18(d) (AC I13.108d)]	—	—	—
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3. Are capitalized interest costs appropriately determined and reported? [SFAS 34, pars. 6-23 (AC I67.102-.103, I67.105-.107 and I67.109-.118) as amended by SFAS 42, par. 4 (AC I67.104); SFAS 58, pars. 5-7 (AC I67.105c, I67.106c-.106e and I67.117);	—	—	—
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Yes   No   N/A

SFAS 62, par. 5 (AC I67.106)]

H. Lessors

1. For sales-type and direct financing leases do disclosures include:

- a. Appropriate components of the net investment in the leases as of the date of each balance sheet presented? \_\_\_\_\_
- b. Future minimum lease payments to be received for each of the five succeeding fiscal years as of the date of the latest balance sheet presented? \_\_\_\_\_
- c. Total contingent rentals included in income for each period for which an income statement is presented? \_\_\_\_\_
- d. For direct financing leases, the amount of unearned income included in income to offset initial direct costs charged against income for each period for which an income statement is presented? \_\_\_\_\_

[SFAS 13, par. 23a (AC L10.119a)]

2. For operating leases do disclosures include:

- a. Cost and carrying amount of property on lease or held for leasing by major classes and the amount of accumulated depreciation as of the date of the latest balance sheet presented? \_\_\_\_\_
- b. Minimum future rentals on non-cancelable leases as of the date of the latest balance sheet presented in the aggregate and for each of the five succeeding fiscal years? \_\_\_\_\_
- c. Total contingent rentals included in income for each period for which an income statement is presented? \_\_\_\_\_

Yes   No   N/A

[SFAS 13, par. 23b (AC L10.119b)]

3. Do disclosures include a general description of the lessor's leasing arrangements?

[SFAS 13, par. 23c (AC L10.119c)]

— — —

[For amendments of SFAS 13 see SFASs 17, 22, 23, 26, 27, 28 and 29; for interpretations see FASBIs 19, 21, 23, 24, 26 and 27; for technical bulletins see TBs 79-10, 79-11, 79-12, 79-13, 79-14, 79-15, 79-16, 79-17 and 79-18]

4. Are leveraged leases appropriately accounted for and reported?

[SFAS 13, pars. 41-47 (AC L10.143-.149)]

— — —

#### I. Other Assets and Deferred Charges

1. Are the costs of intangible assets acquired from other entities recorded as assets?

[APB 17, pars. 24-26 (AC I60.105-.107)]

— — —

2. Are the costs of developing, maintaining or restoring intangible assets which are not specifically identifiable, have indeterminate lives, or are inherent in a continuing business and related to the entity as a whole, expensed when incurred?

[APB 17, par. 24 (AC I60.105)]

— — —

3. Are issue costs of debt reported as deferred charges?

[APB 21, par. 16 (AC I69.109)]

— — —

4. Do disclosures include the method and period of amortization?

[APB 17, pars. 27-31 (AC I60.108-.112); APB 22, par. 13 (AC A10.106)]

— — —

5. Are deferred charges related to income tax timing differences segregated into appropriate current and noncurrent classifications?

[APB 11, par. 57 as amended by SFAS 37, par. 4 (AC I28.102)]

— — —

Yes   No   N/A

## J. Current Liabilities

### 1. Do current liabilities include:

- a. Obligations for items which have entered the operating cycle? \_\_\_\_\_
- b. Collections received in advance of the delivery of goods or performance of services? \_\_\_\_\_
- c. Debts which arise from operations directly related to the operating cycle? \_\_\_\_\_
- d. Other liabilities whose regular and ordinary liquidation is expected to occur within a relatively short time period? \_\_\_\_\_

[ARB 43, Ch. 3A, pars. 7-8 (AC B05.108-.109)]

- 2. Do current liabilities exclude short-term obligations which the entity intends to refinance on a long-term basis and has demonstrated the ability to consummate the long-term financing? \_\_\_\_\_  
[SFAS 6, pars. 8-14 (AC B05.112-.116);  
FASBI 8 (AC B05.117 and B05.138-.139)]

## K. Notes Payable and Other Debt

- 1. Is there adequate disclosure of interest rates, maturities, and other terms and conditions provided in loan agreements and bond indentures such as assets pledged as collateral, covenants to reduce debt, maintain working capital, and restrict dividends? \_\_\_\_\_  
[APB Statement No. 4, par. 199,  
R-9A; SFAS 5, pars. 18-19  
(AC C59.120)]
- 2. Are the combined aggregate amount of maturities and sinking fund requirements for all long-term borrowings disclosed for each of the five years following the date of the latest balance sheet presented? \_\_\_\_\_  
[SFAS 47, par. 10 (AC C32.105)]

Yes   No   N/A

3. If the note is noninterest bearing or has an inappropriate stated interest rate:

a. Is the discount or premium presented as a deduction from or addition to the face amount of the note?

\_\_\_\_\_

b. Does the disclosure include the effective interest rate and face amount of the note?

\_\_\_\_\_

c. Is amortization of the discount or premium reported as interest in the income statement?

\_\_\_\_\_

d. Are issue costs reported in the balance sheet as deferred charges?

\_\_\_\_\_

[APB 21, par. 16 (AC I69.109)]

4. Are conversion features appropriately accounted for and disclosed?

[APB 14, pars. 12, 16-18 (AC D10.103 and D10.105-.107); APB 15, par. 19 (AC E09.110)]

\_\_\_\_\_

5. Are current portions of debt obligations presented as current liabilities?

[ARB 43, Ch. 3A, pars. 7-8 (AC B05.108-.109)]

\_\_\_\_\_

6. If a short-term obligation is to be excluded from current liabilities per SFAS 6, do disclosures include:

a. General description of the financing agreement?

\_\_\_\_\_

b. Terms of any new obligation incurred or expected to be incurred, or equity securities issued or expected to be issued as a result of the refinancing?

\_\_\_\_\_

[SFAS 6, par. 15 (AC B05.118); FASBI 8, par. 3 (AC B05.117); TB 79-3 (AC B05.501-.503)]

7. For troubled debt restructuring occurring during the current period do disclosures include:

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. Description of the principal changes in terms, the major features of settlement, or both?	_____	_____	_____
b. Aggregate gain on restructuring of payables and the related income tax effect?	_____	_____	_____
c. Aggregate net gain or loss on transfers of assets recognized during the period?	_____	_____	_____
d. Per share amount of the aggregate gain on restructuring of payables, net of related income tax effect?	_____	_____	_____
[SFAS 15, par. 25 (AC D22.121)]			
8. For periods after a troubled debt restructuring, do disclosures include:			
a. Extent to which amounts contingently payable are included in the carrying amount of restructured payables?	_____	_____	_____
b. Total amounts contingently payable, if applicable, and conditions under which those amounts would become payable or forgiven?	_____	_____	_____
[SFAS 15, par. 26 (AC D22.122)]			
9. If there is an early extinguishment of debt, is the difference between re-acquisition price and carrying amount:			
a. Recognized currently in income? [APB 26, pars. 20-21 (AC D14.103-.104); TB 80-1, pars. 3-4 (AC D14.503-.504)]	_____	_____	_____
b. Identified as a separate or extraordinary item? [SFAS 4, par. 8 as amended by SFAS 64, par. 4 (AC D14.105)]	_____	_____	_____

L. Lessees

1. For capital leases do disclosures include:

Yes   No   N/A

- a. Gross amounts of assets recorded by major classes as of the date of each balance sheet presented?  
[SFAS 13, par. 16a (AC L10.112a(1)-(4))]
- b. Future minimum lease payments as of the latest balance sheet presented in the aggregate and for each of the five succeeding fiscal years with appropriate separate deductions therefrom for executory costs and imputed interest to reduce net minimum lease payments to present value?  
[SFAS 13, pars. 10 & 16a (AC L10.106, L10.112a(1)-(4))]
- c. Total of future minimum sublease rentals under noncancelable subleases as of the date of the latest balance sheet presented?  
[SFAS 13, par. 16a (AC L10.112a(1)-(4))]
- d. Total contingent rentals actually incurred for each period for which an income statement is presented?  
[SFAS 13, par. 16a (AC L10.112a(1)-(4))]  
amended 10/1/79 by SFAS 29, par. 12]
2. For operating leases that have initial or remaining noncancelable lease terms in excess of one year do disclosures include:
- a. Future minimum rental payments required as of the latest balance sheet presented in the aggregate and for each of the five succeeding fiscal years?
- b. Total of future minimum rentals under noncancelable subleases as of the date of the latest balance sheet presented?
- [SFAS 13, par. 16b (AC L10.112b)]
3. For all operating leases do disclosures include: rental expense for each period

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
for which an income statement is presented with separate amounts for minimum rentals, contingent rentals, and sublease rentals? [SFAS 13, par. 16c (AC L10.112c)]	—	—	—
4. Do disclosures include a general description of the lessee's leasing arrangements including but not limited to:			
a. Bases for determination of contingent rentals?	—	—	—
b. Terms of any renewal or purchase options or escalation clauses?	—	—	—
c. Restrictive covenants?	—	—	—
[SFAS 13. par. 16d (AC L10.112d)]			
[For amendments of SFAS 13 see SFASs 17, 22, 23, 26, 27, 28 and 29; for interpretations see FASBIs 19, 21, 23, 24, 26 and 27; for technical bulletins see TBs 79-10, 79-11, 79-12, 79-13, 79-14, 79-15, 79-16, 79-17 and 79-18]			
M. Other Liabilities and Deferred Credits			
1. Are deferred credits related to income tax timing differences segregated into appropriate current and noncurrent classifications? [APB 11, par. 57 as amended by SFAS 37, par. 4 (AC I28.102)]	—	—	—
2. If the entity recognizes investment tax credits by the flow-through method, is the reduction in the tax basis of an asset caused by the investment tax credit reflected as a timing difference when computing deferred taxes? [TB83-1, par. 4 (AC I32.517)]	—	—	—
3. Are estimated losses from loss contingencies accrued if both "probable" as explained in SFAS No. 5 and the amount can be reasonably estimated?	—	—	—



Yes   No   N/A

[SFAS 5, par. 8 (AC C59.105); FASBI 14  
(AC C59.106-.107 and C59.124-.127)]

4. Are liabilities appropriately accrued and reported for employees' compensation for future absences?  
[SFAS 43, pars. 6-7 (AC C44.104 and C44.108)]

\_\_\_\_\_

5. Are liabilities for special termination benefits to employees appropriately accrued and reported when the employees accept the offer and the amount can be reasonably estimated?  
[(SFAS 74, par. 2 (AC C45.102))]

\_\_\_\_\_

#### N. Stockholders' Equity

1. For each class of stock do disclosures include the number of shares authorized, issued and outstanding, and par or stated value per share?  
[APB Statement No. 4, par. 199, R-9A]

\_\_\_\_\_

2. Do the financial statements include a description, in summary form, sufficient to explain the pertinent rights and privileges of the various securities outstanding, for example: dividend and liquidation preferences, participation rights, call prices and dates, conversion or exercise prices or rates and pertinent dates, sinking fund requirements, unusual voting rights?  
[APB 15, par. 19 (AC E09.110)]

\_\_\_\_\_

3. Are liquidation preferences of preferred stock issues prominently disclosed in the equity section of the balance sheet in the aggregate?  
[APB 10, par. 10 (AC C16.101)]

\_\_\_\_\_

4. For preferred stock do disclosures include:

- a. Aggregate or per share amounts at which shares may be called or are subject to redemption?

\_\_\_\_\_

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. Aggregate and per share amounts of arrearages in cumulative preferred dividends?	—	—	—
[APB 10 par. 11 (AC C16.102)]			
5. For stock option and stock purchase plans, do disclosures include:			
a. Number of shares under option?	—	—	—
b. Option price?	—	—	—
c. Number of shares as to which options are exercisable?	—	—	—
d. For shares exercised, the number of shares exercised and option price?	—	—	—
[ARB 43, Ch. 13B, par. 15 (AC C47.123); APB 25, par. 19; FASBI 28 (AC C47.119-.122 and C47.138-.146); TB 82-2, pars. 10-12 (AC C47.513-.515)]			
6. Are any appropriations of retained earnings for loss contingencies clearly identified and included in stockholders' equity?	—	—	—
[SFAS 5, par. 15 (AC C59.117)]			
7. Are restrictions on payment of dividends disclosed?	—	—	—
[SFAS 5, pars. 18-19 (AC C59.120)]			
8. After completion of a quasi-reorganization, is a new retained earnings account established and dated with the date being disclosed in subsequent financial statements until it is no longer deemed significant?	—	—	—
[ARB 43, Ch. 7A, par. 10 (AC Q15.111); ARB 46 (AC Q15.111)]			
9. Are stock subscriptions receivable appropriately identified and presented as a deduction from capital, or, if presented as an asset, stated separately, clearly labeled, and			

Yes   No   N/A

their status clearly described to distinguish them from any other type of assets?

\_\_\_\_\_

10. Are the amounts of redemption requirements for all issues of capital stock that are redeemable at fixed or determinable prices on fixed or determinable dates disclosed for each of the five years following the date of the latest balance sheet presented?  
[SFAS 47, par. 10 (AC C32.105)]

\_\_\_\_\_

O. Changes in Stockholders' Equity

1. Are changes in the separate component accounts of stockholders' equity disclosed?  
[APB 12, par. 10 (AC C08.102)]

\_\_\_\_\_

2. Are changes in the number of shares of equity securities disclosed?  
[APB 12, par. 10 (AC C08.102)]

\_\_\_\_\_

3. Are prior period adjustments limited to:

a. Correction of an error(s) in financial statements of prior periods?

\_\_\_\_\_

b. Adjustments resulting from realization of income tax benefits of pre-acquisition operating loss carryforwards of purchased subsidiaries?

\_\_\_\_\_

[SFAS 16, par. 11 (AC A35.103)]

4. Are prior period adjustments and their resulting effects (both gross and net of applicable income taxes) appropriately disclosed?  
[APB 9, par. 26 (AC A35.107)]

\_\_\_\_\_

5. For a correction of an error are the following disclosed in the period in which the error was discovered and corrected:

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. Nature of the error in previously issued financial statements?	—	—	—
b. Effect of its correction on income before extraordinary items, net income, and related per share amounts (if applicable)?	—	—	—

[APB 20, par. 37 (AC A35.105)]

## .06 Income Statement

### A. Revenue and Expenses

1. Are the important components of income separately disclosed, such as sales or other source of revenue, cost of sales, selling and administrative expenses, interest expense and income taxes? [APB Statement No. 4, Ch. 7, par. 198]	—	—	—
2. Is revenue recognized when a sale is effected (in contrast to the installment method) with appropriate provision for uncollectible accounts? [APB 10 par. 12 (AC R75.101 and R75.103)]	—	—	—
3. For long-term construction-type contracts is the method of income recognition (percentage of completion or completed contract) disclosed? [ARB 45, par. 15 (AC Co4.110 and Co4.112); APB 22, par. 13 (AC A10.106)]	—	—	—
4. For marketable equity securities, are the following disclosed for each period for which an income statement is presented:			
a. Net realized gain or loss included in determination of net income? [SFAS 12, par. 12c (AC I89.106c)]	—	—	—
b. For entities with certain specialized accounting practices, the change in net unrealized gain or loss? [SFAS 12, par. 16b (AC I89.110b)]	—	—	—

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. Basis on which cost was determined in computing realized gain or loss? [SFAS 12, par. 12c (AC I89.106c)]	—	—	—
d. The change in valuation allowance(s) during the period and when a classified balance sheet is presented, the amount of such change included in the determination of net income? [SFAS 12, par. 12c (AC I89.106c)]	—	—	—
5. For investments in common stock accounted for by the equity method:			
a. Are intercompany profits and losses appropriately eliminated until realized by the investor through transactions with independent third parties? [APB 18, par. 19a (AC I82.109a)]	—	—	—
b. Is the investor's share of earnings shown as a single amount except for investee extraordinary items and prior period adjustments that are material to the investor? [APB 18, pars. 19c & 19d (AC I82.109c and I82.109d)]	—	—	—
c. Are income taxes of the investor's share of the investee's earnings appropriately accrued? [APB 24, pars. 7-10 (AC I42.114-.116 and I42.119); FASBI 29 (AC I42.117-.118)]	—	—	—
6. Are research and development costs charged to expense when incurred and appropriately disclosed? [SFAS 2, pars. 12-16 (AC R50.108-.110); FASBI 4 (AC B50.151-.152); FASBI 6 (AC R50.105 and R50.114-.119); TB 79-2 (AC R50.501-.502); SFAS 68, par. 14 (AC R55.112)]	—	—	—
7. Is the amount of interest cost incurred disclosed in the statements or notes thereto, and for an accounting period in which some interest cost is capitalized, the total amount thereof that			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
has been capitalized? [SFAS 34, par. 21 (AC I67.118)]	—	—	—
8. Is discount or premium on notes receivable and payable amortized to result in a constant rate of interest when applied to the amount outstanding at the beginning of any given period (the interest method) and reported as interest? [APB 12, pars. 16-17 (AC I69.108); APB 21, pars. 15-16 (AC I69.108-.109)]	—	—	—
9. Is depreciation expense for the period(s) disclosed accompanied by a general description of the method(s) used to compute depreciation for the major classes of depreciable assets? [APB 12, par. 5 (AC D40.105)]	—	—	—
10. Is the cost of the pension plan(s) accounted for in conformity with applicable pronouncements? [APB 8, pars. 8-45 (AC P15.101, P15.103-.107, P15.109-.129 and P15.133); FASBI 3 (AC P15.108); SFAS 74, par. 3 (AC C45.103)]	—	—	—
11. If there is a compensatory stock issuance plan:			
a. Is compensation expense accrued in the proper periods? [APB 25, pars. 12-15 (AC C47.112-.115)]	—	—	—
b. Are deferred income taxes recorded to recognize timing differences between accrual of compensation expense and deduction for income tax purposes? [APB 25, pars. 16-18 (AC C47.116-.118); TB 82-2, pars. 8 and 13 (AC C47.511 and C47.516)]	—	—	—
c. Are disclosures adequate? [ARB 43, Ch. 13B, par. 15 (AC C47.123)]	—	—	—

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
12. For deferred compensation agreements, are estimated amounts to be paid properly accrued? [APB 12, pars. 6-8 (AC C38.101-.102)]	—	—	—
13. For sales transactions in which the buyer has a right to return the product, is revenue recognized at time of sale only if all of the conditions specified in SFAS No. 48 are met? [SFAS 48, pars. 6-8 (AC R75.107-.109)]	—	—	—
14. For sales transactions such as those in which the seller agrees to repurchase the product, has consideration been given to whether the transaction is a product financing arrangement? [SFAS 49, pars. 3-5 (AC D18.101-.103)]	—	—	—
15. For product financing arrangements that are in substance financing, is the transaction accounted for as a borrowing? [SFAS 49, pars. 8-9 (AC D18.106-.107)]	—	—	—
16. For sales of real estate, other than retail land sales, is revenue recognized on the full accrual basis only if all the conditions in SFAS 66, par. 5 are met? [SFAS 66, par. 5 (AC Rel.105)]	—	—	—
17. If the enterprise accounts for its obligation under a research and development arrangement as a contract to perform research and development for others under SFAS 68, is there disclosure of:			
a. The terms of significant agreements under the research and development arrangement as of the date of each balance sheet presented?	—	—	—
b. The amount of compensation earned or costs incurred under such contracts for each period for			

Yes   No   N/A

which an income statement is  
presented?

[SFAS 68, par. 14 (AC R55.112)]

— — —

## B. Income Taxes

1. Are the components of income tax expense disclosed, [tax expense estimated to be currently payable, tax effects of timing differences, and tax effects of operating losses] and allocated to:

a. Income before extraordinary items?

— — —

b. Extraordinary items?

— — —

[APB 11, par. 60 (AC I28.106)]

2. Are tax benefits realized from operating loss carryforwards reported as an extraordinary item in the period realized?

[APB 11, par. 61 (AC I17.116)]

— — —

3. Do disclosures regarding income taxes include:

a. Amounts of any unused operating loss carryforwards together with expiration dates (including separate identification of amounts that upon recognition would be credited to deferred taxes)?

— — —

b. Significant amounts of any other unused deductions and/or credits together with expiration dates?

— — —

c. Reasons for variations in customary relationship between income tax expense and pretax accounting income?

— — —

[APB 11, par. 63 (AC I28.109); SFAS 31, par. 7 (AC I42.133); TB 82-1, par. 5 (AC I28.511)]

4. Do disclosures regarding the investment tax credit include:

a. The accounting method used and amounts involved?

— — —



Yes   No   N/A

b. Amounts of any unused investment credits?

\_\_\_\_\_

[APB 4, par. 11 (AC I32.103); FASBI 25 (AC B50.153-.154, I32.107, I32.109, I32.114-.115 and I32.117-.120); TB 81-2, par. 4 (AC B50.650 and I32.502)]

5. If the entity is a subchapter S corporation, partnership or unincorporated proprietorship, do disclosures explain why income tax expense is not provided?

\_\_\_\_\_

### C. Discontinued Operations

1. Are operations of a segment that has been discontinued or are the subject of a formal plan for disposition:

a. Reported separately from income from continuing operations and as a component (including applicable income taxes) of income before extraordinary items?

\_\_\_\_\_

[APB 30, pars. 8 & 13-18 (AC I13.101-.103, I13.105-.106 and I13.108-.109)]

b. Accompanied by disclosure in the notes of revenue applicable to the discontinued operations?

\_\_\_\_\_

[APB 30, par. 8 (AC I13.105)]

2. Is gain or loss from disposal of a discontinued segment reported separately (including applicable income taxes) in conjunction with results of discontinued operations as a component of income before extraordinary items?

\_\_\_\_\_

[APB 30, pars. 8 & 13-18 (AC I13.101-.103, I13.105-.106 and I13.108-.109)]

3. If the entity sells part of its ownership interest in a foreign entity, is a pro rata portion of the accumulated translation adjustment component of equity attributable to that investment recognized in measuring the gain or loss on the sale?

\_\_\_\_\_

Yes   No   N/A

[FASBI 37, par. 2 (AC F60.120)]

4. For the period encompassing the measurement date, do notes to financial statements disclose:

- |   |     |     |     |
|---|-----|-----|-----|
| a. Identity of the segment discontinued?  | ___ | ___ | ___ |
| b. Expected disposal date, if known?  | ___ | ___ | ___ |
| c. Expected manner of disposal?   | ___ | ___ | ___ |
| d. Description of the remaining assets and liabilities of the discontinued segment at the balance sheet date?   | ___ | ___ | ___ |
| e. Income or loss from operations and any proceeds from disposal of the discontinued segment during the period from the measurement date to the balance sheet date? | ___ | ___ | ___ |

[APB 30, par. 18 (AC I13.108-.109)]

5. For periods after the measurement date and including the disposal, do notes to financial statements disclose the information required for the period encompassing the measurement date and the actual date and results of disposal compared with the prior estimates?  
[APB 30, par. 18 (AC I13.108-.109)]

\_\_\_   \_\_\_   \_\_\_

D. Extraordinary Items

1. Do extraordinary items meet both criteria of (1) an unusual nature, and (2) infrequency of occurrence?  
[APB 30, pars. 19-24 (AC I17.106-.111 and I17.118)]

\_\_\_   \_\_\_   \_\_\_

2. Are extraordinary items segregated and shown (including applicable income taxes) following income before extraordinary items and before net income?  
[APB 30, pars. 10-12 (AC I17.102-.103)]

\_\_\_   \_\_\_   \_\_\_

3. Are descriptive captions and amounts (including applicable income taxes)

Yes   No   N/A

presented for individual extraordinary events or transactions, preferably on the face of the income statement if practicable?  
[APB 30, par. 11 (AC 117.102)]

\_\_\_\_\_

4. Do disclosures include descriptions of an extraordinary event(s) or transaction(s) and the principal items entering into determination of extraordinary gain(s) or loss(es)?  
[APB 30, par. 11 (AC 117.102)]

\_\_\_\_\_

5. Are material events or transactions that are either unusual in nature, or of infrequent occurrence but not both (and therefore not meeting criteria for extraordinary items):

a. Reported as a separate component of income from continuing operations?

\_\_\_\_\_

b. Accompanied by disclosure of the nature and financial effects of each event?

\_\_\_\_\_

[APB 30, par. 26 (AC 122.101); TB 82-1, par. 6 (AC 128.512)]

6. For gains or losses from extinguishments of debt classified as extraordinary items, do disclosures include:

a. Description of the extinguishment transactions, including the sources of any funds used to extinguish the debt if it is practicable to identify the sources?

\_\_\_\_\_

b. Income tax effect in the period of extinguishment?

\_\_\_\_\_

c. Per share amount of the aggregate gain or loss net of related income tax effect?

\_\_\_\_\_

[SFAS 4, par. 9 (AC 117.104)]

E. Other

Yes   No   N/A

1. Are the following excluded from determination of net income or results of operations under all circumstances:

a. Adjustments or charges or credits resulting from transactions in the company's own capital stock?

\_\_\_\_\_

b. Transfers to and from accounts properly designated as appropriated retained earnings?

\_\_\_\_\_

c. Adjustments made pursuant to a quasi-reorganization?

\_\_\_\_\_

[APB 9, par. 28 (AC C08.101)]

2. Is earnings per share information, if required [SFAS 21 (AC E09.102)], presented on the face of the income statement accompanied by appropriate disclosure that includes the basis of the calculation?

\_\_\_\_\_

[APB 15 (AC E09); APB 20, pars. 19c, 33, 35 and 37 (AC A06.115c, A06.132, A35.105 and A35.113); APB 30, pars. 9 & 12 (AC E09.104, I13.107 and I17.103); FASBI 31 (AC E09.128-.131 and E09.169-.176); SFAS 55, par. 7 (AC E09.123)]

#### .07 Statement of Changes in Financial Position

##### A. Format

1. Is a statement of changes in financial position presented as a basic financial statement for each period for which an income statement is presented?

[APB 19, par. 7 (AC F40.101)]

\_\_\_\_\_

2. Does the format provide the most useful portrayal of the reporting entity's financing and investing activities and changes in financial position?

[APB 19, par. 11 (AC F40.105)]

\_\_\_\_\_

##### B. Content

1. Does the statement of changes in financial position disclose all important

Yes   No   N/A

aspects of financing and investing activities regardless of whether cash or other elements of working capital are directly affected?

[APB 19, par. 8 (AC F40.101-.102)]

\_\_\_\_

2. Does the statement of changes in financial position:

a. Begin with income or loss before extraordinary items?

[APB 19, par. 10 (AC F40.104)]

\_\_\_\_

b. Present additions or deductions of items recognized in determining income or loss that did not provide or use working capital or cash?

[APB 19, par. 10 (AC F40.104)]

\_\_\_\_

c. Present working capital or cash provided from or used in operations exclusive of any extraordinary items?

[APB 19, par. 10 (AC F40.104)]

\_\_\_\_

d. Present working capital or cash provided from or used by income or loss from extraordinary items? [APB 19, par. 10 (AC F40.104) as amended by APB 30 (AC E09, I13, I17 and I22)]

\_\_\_\_

e. Individually disclose the effects of other financing and investing activities including:

(1) Outlays for purchase of long-term assets?

\_\_\_\_

(2) Proceeds from sale of long-term assets?

\_\_\_\_

(3) Conversion of long-term debt or preferred stock to common stock?

\_\_\_\_

(4) Issuance, assumption, redemption and repayment of long-term debt?

\_\_\_\_

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(5) Issuance, redemption or purchase of capital stock for cash or assets other than cash?	_____	_____	_____
(6) Dividends in cash or in kind or other distributions to shareholders (except for stock dividends and stock split-ups as defined in ARB 43 Ch. 7B)?	_____	_____	_____
[APB 19, par. 13-14 (AC F40.107-.108)]			
f. Are net changes in each element of working capital disclosed?	_____	_____	_____
[APB 19, par. 12 (AC F40.106)]			

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—The next page is 8601.—

## AAM Section 8500

## Specialized Industries

.01 The following FASB Statements and Interpretations relate in whole or in part to specialized industries. To the extent they relate to specialized industries, they are not included in the Disclosure Checklist. Users of the checklist should refer directly to applicable authoritative pronouncements when reporting on a specialized industry.

.02 FASB Statements Related to Specialized Accounting and Reporting Principles and Practices

SFAS 12	"Accounting for Certain Marketable Securities"
SFAS 19	"Financial Accounting and Reporting by Oil and Gas Producing Companies"
SFAS 25	"Suspension of Certain Accounting Requirements for Oil and Gas Producing Companies"
SFAS 35	"Accounting and Reporting by Defined Benefit Pension Plans"
SFAS 39	"Financial Reporting and Changing Prices: Specialized Assets—Mining and Oil and Gas"
SFAS 40	"Financial Reporting and Changing Prices: Specialized Assets—Timberlands and Growing Timber"
SFAS 41	"Financial Reporting and Changing Prices: Specialized Assets—Income Producing Real Estate"
SFAS 44	"Accounting for Intangible Assets of Motor Carriers"
SFAS 45	"Accounting for Franchise Fee Revenue"
SFAS 46	"Financial Reporting and Changing Prices: Motion Picture Films"
SFAS 50	"Financial Reporting in the Record and Music Industry"

SFAS 51	"Financial Reporting by Cable Television Companies"
SFAS 53	"Financial Reporting by Producers and Distributors of Motion Picture Films"
SFAS 54	"Financial Reporting and Changing Prices: Investment Companies"
SFAS 59	"Deferral of the Effective Date of Certain Accounting Requirements for Pension Plans of State and Local Governmental Units"
SFAS 60	"Accounting and Reporting by Insurance Enterprises"
SFAS 61	"Accounting for Title Plant"
SFAS 63	"Financial Reporting by Broadcasters"
SFAS 65	"Accounting for Certain Mortgage Banking Activities"
SFAS 66	"Accounting for Sales of Real Estate"
SFAS 67	"Accounting for Costs and Initial Rental Operations of Real Estate Projects"
SFAS 69	"Disclosures about Oil and Gas Producing Activities"
SFAS 71	"Accounting for the Effects of Certain Types of Regulation"
SFAS 72	"Accounting for Certain Acquisitions of Banking or Thrift Institutions"
SFAS 73	"Reporting a Change in Accounting for Railroad Track Structures"



.03 FASB Interpretations Related to Industries Having  
Specialized Accounting and Reporting Principles and Practices

Interpretation 9	"Applying APB Opinion Nos. 16 and 17 When a Savings and Loan Association or a Similar Institution is Acquired in a Business Combination Accounted for by the Purchase Method: An Interpretation of APB Opinion Nos. 16 and 17"
Interpretation 10	"Application of FASB Statement No. 12 to Personal Financial Statements: An Interpretation of FASB Statement No. 12"
Interpretation 15	"Translation of Unamortized Policy Acquisition Costs by a Stock Life Insurance Company: An Interpretation of FASB Statement No. 8"
Interpretation 33	"Applying FASB Statement No. 34 to Oil and Gas Producing Operations Accounted for by the Full Cost Method: An Interpretation of FASB Statement No. 34"
Interpretation 36	"Accounting for Exploratory Wells in Progress at the End of a Period: An Interpretation of FASB Statement No. 19"

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